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April 5, 2004

Via Federal Express

R. Todd Keating
Assistant Director/Regulatory Section/Engineering Division
Louisiana Office of Conservation
617 N. 3rd Street, 9th Floor
Baton Rouge, Louisiana 70802

RE: **Formal request by Panaco, Inc. for a commingling
permit relating to certain West Delta properties**
SRSJM File No. 6483.1864

Dear Todd:

Please accept this correspondence as a formal request by Panaco, Inc. ("Panaco") for a commingling permit, utilizing well test allocation, to commingle gas from Panaco's West Delta Block 52 CF No. 1 (#955160) to Panaco's West Delta Area CF No. 3 (#955200). We attempt in this letter (and attachments) to provide all information required by Statewide Order 29-D-1, 43 LA ADC Pt XIX, §§1505.A.2 (Well Test), subparts a, b, and c.

Prior commingling permits have been issued by the Louisiana Office of Conservation for the West Delta Block 52 CF No. 1 (#955160) and the West Delta area CF No. 3 (#955200). The following leases, units, operating agreements, and production are currently approved for commingling at the following facilities:

- 975 ↗
- (1) West Delta Block 52 CF No. 1 (#955160): SL 451, VUA, VUB, VUE, VUD, Harvey Abercrombie, OA A 0263; and ✓ ✓ ✓ ✓ ✓
 - (2) West Delta Area CF No. 3 (#955200): SL 978, SL 979, SL 2549, SL 2550, WDB 53, LR SU. ✓

The production currently commingled at West Delta Block 52 CF No. 1 (#955160) ("WD 52 CF No. 1") is proposed to be commingled with the production currently commingled at West Delta area CF No. 3 (#955200) ("WD 54 CF No. 3").

The West Delta 52 field currently produces approximately 3.9 MMCF/D as to Panaco's 100% working interest. An average of 2.8 MMCF/D is cycled in gas lift operations, 300,000 MCF/D is currently used for compressor fuel and lease fuel, and 800,000 MCF/D is sold. In the proposed operation, all of the West Delta Block 52 field gas (not oil) would be sent to the WD 54 CF No. 3 suction scrubber and commingled with the West Delta Block 55 field gas production. Panaco currently has a 100% working interest in all wells that currently pass production through the WD 54 CF No. 3, field platform on West Delta Block 54; these wells are located on West Delta Blocks 53, 54, 55, and 56. *and others*

After compression on the WD 54 CF No. 3, an appropriate amount of gas will be returned to the West Delta Block 52 field for use in gas lift operations. The remainder of the allocated West Delta Block 52 field gas will be sold along with the West Delta 55 field gas. All oil produced from the West Delta Block 52 field will be sold at the WD 52 CF No. 1, and water will still be injected into the West Delta 52 field area.

Attached hereto is a document entitled Panaco, Inc. - Explanation of Proposed Flow - West Delta Block 52, 54 Gas Commingling Facility. This document describes the proposed operations in detail, and should be read in conjunction with the detailed schematics of the proposed operation, which are also attached hereto. Such attachments, and all information included therein, are copied into this formal request and should be read in conjunction with same.

In addition to the information contained in the attachments, a more detailed explanation of the proposed operations is as follows: The commingling of the gas from WD 52 CF No. 1 to WD 54 CF No. 3 will be done on a Well Test basis. The meters will be proven (calibrated) on a monthly basis, but the meters will be active twenty-four hours a day; in other words, the meters will be continuously active. For the three high pressure wells, a well will be tested (checked/information recorded) daily, stating over every three days. For the nine low pressure wells, two wells will be tested (checked/information recorded) daily, starting over every four days or so. Any and all gas sent back to WD 52 CF No. 1 for gas lift operations will be metered at WD 54 CF No. 3. Panaco currently estimates that 2.8 MMCF/D will be cycled back to WD 52 CF No. 1 for gas lift operations. The balance will be used for lease operations or sold at WD 54 CF No. 3. Any and all additional information relating to the proposed operations is attached hereto in the explanation of proposed flow.

We have reviewed Statewide Order 29-D-1, 43 LA ADC Pt XIX, §§1501, et seq. Specifically, we have reviewed § 1505 (not §1705) pursuant to your direction. We believe the information provided and documents identified above and enclosed herewith, along with the filing fee and request for a hearing pursuant to LA. R.S. 30:6, discussed further below, fully satisfy the requirements of Statewide Order 29-D-1, 43 LA ADC Pt XIX, §§1505.A.2 (Well

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Test), subparts a, b, and c. Please let me know if any required information documentation is missing.

Please find enclosed herewith Panaco's check in the amount of \$755 to cover the filing fee. In addition, pursuant to 43 LA ADC Pt XIX, § 1505.A.2 (Well Test), subpart (b), and La. R.S. 30:6, Panaco hereby requests a public hearing to consider its commingling permit application. Enclosed herewith are the names and addresses of all interested parties. Because there are over 200 such persons or entities, Panaco does not believe it can solicit written approval from 100% of all interested parties. Therefore, when scheduling a hearing to consider Panaco's commingling permit request, please allow sufficient time for Panaco to generate an appropriate notice to be sent to all of the interested parties. Pursuant to La. R.S. 30:6(B), we believe that at least 10 days notice must be given, in a manner prescribed by the Office of Conservation, prior to the hearing. Your guidance on this issue would be appreciated.

Thank you for your time and consideration in this matter. Please call me upon receipt to further discuss all of these issues so that Panaco's request for a commingling permit can be expeditiously considered. In addition, as we have discussed, Panaco reserves the right to request emergency consideration at any time depending upon the status of its compressor on the WD 52 CF No. 1.

Very truly yours,


Paul J. Goodwine

PJG/jmg
Enclosure

cc: Todd Bart (via facsimile; w/out encl.)
David Lee (via facsimile; w/out encl.)
Lee Roy Williams (via facsimile: w/out encl.)